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RUEHJI/AMCONSUL JEDDAH PRIORITY 1532
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

[11.](#) Mideast

[12.](#) Iran

Key stories in the media:

The Jerusalem Post and Israel Radio reported that yesterday State Department Spokesman Ian Kelly dismissed as QinaccurateQ a report published in an Israeli media outlet [Yediot] that Israel and the

U.S. administration have struck a deal which would allow the construction or the completion of 2,500 more housing units in the West Bank. (The Jerusalem Post reported that officials in the PMOs Office would not confirm those media reports.) Stating that the United StatesQ position has not changed, Kelly said: QThis activity has to stop. This is laid out in the Roadmap.Q Yet, Israel Radio quoted Israel sources as saying that negotiations are taking place on the subject. The Jerusalem Post reported that Israel and the U.S. are moving toward a compromise solution on the settlement issue that might allow both sides to claim "victory." According to senior GOI officials, under this type of solution, Israel would declare a moratorium of a few months on the settlement issue, possibly half a year, while the U.S. would give Israel a green light to complete a still-to-be-determined number of housing units in the settlements that are in advanced stages of construction. Under this type of arrangement, President Obama would be able to claim a victory in getting Israel to agree to a moratorium on any new housing starts in the settlements, while PM Benjamin Netanyahu could claim that he did not agree to a complete freeze, and that housing construction was continuing.

The Jerusalem Post quoted National Security Adviser Uzi Arad as saying at a Knesset press conference marking Netanyahu's 100th day in office that Netanyahu expects Obama to honor the agreements reached with the Bush administration on West Bank construction. Arad revealed that ahead of Netanyahu's meeting with Obama in May, the National Security Council prepared reports that articulated the American commitments in great detail. Netanyahu also quizzed his predecessor, Ehud Olmert, in a meeting on Friday about the behind-the-scenes agreements he had reached with President George W. Bush.

Israel Hayom reported that a senior diplomatic official in Jerusalem told the newspaper yesterday: QThe Americans are completely confused and their foreign policy is collapsing.Q He was further quoted as saying : QThis chaos is discernible in nearly every sphere in which the administration operates, as well as the political sphere in our region and in the Iranian and North Korea issues.Q According to Israel Hayom, the senior Israeli official did not speak in order merely to convey his own opinions. His statements accurately reflect the prevalent discourse among Israeli government officials, including officials in the Prime MinisterQs Bureau, the Foreign Ministry, the Defense Ministry, and senior cabinet ministers.

Media (banners in HaQaretz and Israel Hayom) quoted DM Ehud Barak as saying yesterday at a ceremony marking three years since the outbreak of the Second Lebanon War, in which 121 IDF soldiers died, that the courage of soldiers repeatedly compensated for the mistakes of decision-makers during the war.

The Jerusalem Post, Israel Hayom, and Maariv quoted National Security Adviser Uzi Arad as saying in an interview with the AP that comments by President Obama and Vice President Biden about a possible Israeli attack on Iran's nuclear facilities were directed at Iran and meant to "distinguish" the U.S. from Israel. In an interview with HaQaretz, Arad said that the Netanyahu government has inherited a "scorched earth" policy on the Iranian nuclear threat from the last administration. Israel displayed an "abominable" failure to address Tehran's nuclear development between 2003 and 2007, Arad said, and while he suggests a potential naval blockade on the Islamic Republic, he added "The more credible and concrete the option, the less likely that it will be needed." Regarding the Palestinian arena, Arad says, "I also do not see a Palestinian leadership or a Palestinian regime, but a disorderly constellation of forces and factions." When it comes to relations with Washington, however, Arad is more conciliatory: "When President Obama says he is committed to Israel's security, he is speaking the truth. He is committed in the full sense of the word."

The Jerusalem Post cited Defense Ministry data that almost no progress has been made toward completing the West Bank security barrier in the past 15 months.

Israel Radio reported that the G-8 leaders meeting in L'Aquila, Italy, urged Israel and the Palestinians to resume negotiations.

HaQaretz quoted Israeli defense sources as saying yesterday that a

freeze in the attempted reconciliation of Fatah and Hamas has also brought efforts to negotiate Gilad Shalit's release to a standstill.

The sources were quoted as saying that the likelihood of a speedy deal to release Shalit is slim. Yediot cited a confidential report addressed to the Prime Minister's Bureau, according to which Egypt backs Israel's position that, when the negotiations with the Palestinians are resumed, the latter must pledge to declare the end of their [unspecified] demands on Israel. Yediot reported that a few days ago in Egypt, Egyptian intelligence chief Omar Suleiman told Gilad Sher that Shalit will be released only after Israel gives up its demand that any Hamas prisoners who are released be deported to Gaza. Sher managed Ehud Barak's bureau during his term as PM. Yediot cited Israel's belief that the price that Hamas will demand for Shalit's release will not change.

HaQaretz recalled that, prior to the Knesset elections, Netanyahu presented his program for "economic peace," which he said would improve the quality of life for Palestinians in the West Bank. However, 100 days after having formed his coalition government, there is no practical progress on economic projects. HaQaretz explained that the main reason for this is the refusal of senior PA officials to cooperate with Netanyahu and Vice Premier Silvan Shalom, who has been assigned the task of promoting the "economic peace" initiative.

The Jerusalem Post quoted UN Secretary-General Ban Ki-moon as saying in a UN report that hostilities between Israel and Lebanon could erupt again. Expanding on previous media reports, HaQaretz reported that Lebanese lieutenant colonel Dahir Jarjoui has gone missing, and military officials there, as well as the officer's family, believe he fled to Israel after coming under suspicion of spying for Israeli intelligence. Jarjoui, a resident of the southern Lebanese village of Qlayaa, was the Lebanese Armed Forces' liaison with a Spanish company in the UNIFIL peacekeeping force along the Israeli border.

HaQaretz reported that FM Avigdor Lieberman convened a clandestine meeting about a week ago with several senior officials in his ministry to begin an internal reform. Lieberman's principal message was that instead of being preoccupied with the Palestinians, the ministry should wage an international campaign against Iran and engage in public diplomacy to rehabilitate Israel's international image.

The Jerusalem Post reported that, days after President Obama sent a letter to Morocco's King Mohamed VI urging the moderate North African nation to be a leader in bridging gaps between Israel and the Arab world, Israeli experts on Moroccan-Israeli relations differed on the likelihood of a positive response from the King's government in the coming weeks.

HaQaretz reported that Israel is tightening its borders. Passengers departing via Ben Gurion Airport will now have to pass a second passport control point before boarding a flight. In addition to presenting their passports at immigration after checking their luggage, passengers will have them scanned once again at the gate before boarding the plane. Until now, passengers had to present only a boarding card at that point. The new regulations could serve several purposes -- a response to specific threats; closing a breach that lets passengers bypass immigration controls; or increasing the chances of catching people barred from leaving the country.

Erratum: The Jerusalem Post did not report that President Shimon Peres attended the Ambassador's Fourth of July reception. He was on an official visit to Kazakhstan.

Block Quotes:

II. "Outposts for Blocs"

Senior commentator Ari Shavit wrote in the independent, left-leaning Ha'aretz (7/9): QTo avoid a head-on clash with its ally, Israel must change its ways immediately. It must prove it will no longer make a fool of the world and stop sabotaging itself and start enforcing the law in the West Bank. What we urgently need is a creative American-Israeli understanding. Israel must make a reality-changing move, and America must recognize the complexity of this reality. Israel must provide proof that the withdrawal is really beginning, and America must provide a preliminary commitment to the withdrawal's border. The new American-Israeli deal must be simple -- outposts for blocs, i.e. evacuating the illegal outposts in exchange for recognition of the large settlement blocs.... If Benjamin Netanyahu insists on keeping the illegal outposts, he will be defending a criminal act of settlement as well as harming Israel's interests. If Obama refuses to recognize that settlement blocs attached to the Green Line will remain within IsraelQs boundaries, he will be destroying Clinton's legacy. But if Obama and Netanyahu formulate an outposts-for-blocs policy, they will be serving their states and administrations' joint interest -- a realistic peace process.

II. "Better a Doormat"

Far left columnist Gideon Levy wrote in Ha'aretz (7/9): QThe Prime Minister will be judged by his results, not by his character or the route he takes to get there. Some who criticized Netanyahu's latest zigzag -- the U-turn he did by canceling the value-added tax on fruits and vegetables -- admit that his decision may have been sound. Yet the most important thing, in their eyes, is that we not have a prime minister who surrenders, who yields, who folds with such ease. This logic is twisted. Instead, we ought to sing the praises of a prime minister who changes his mind, adjusts his views to prevailing circumstances, and yields on issues to his and our benefit. Only such a Netanyahu can do well by us. Heaven forbid if he were to entrench himself in his positions. We would be better off having a doormat for prime minister than a hero. We have had more than enough of the latter.

III. "The Lesser Evil"

Editor-in-Chief Amnon Lord wrote in the nationalist, Orthodox Makor Rishon-Hatzofe (7/9): QThe Americans still continue to demand a construction freeze in the settlements, but it appears that the negotiations are going on and that there is no concurrence, to say nothing about an agreement. If there is something that the Prime Minister should be warned about while Barak is holding contacts with the Americans, it is signing an agreement. Any agreement about the settlements would haunt the government during its entire term, as

RabinQs surrender to [Bill] ClintonQs pressure to return the Hamas deportees in 1993 haunted him and caused the Oslo Accords to fail. That surrender continues to haunt us until this very day. Thus it is better, at a certain stage, to get entangled in a serious crisis with the U.S. rather than risk surrendering to pressure. In the mean time, the settlement issue serves as fuel in the persistent contacts with the U.S., the exact contents of which are unknown to anyone. It is hard to believe that Mitchell and Barak continue to turn around the same point for such a long time.... It is preferable to hold contacts with the Americans about far-flung outposts than to be within reach of Qpeace,Q as every pressure in the world would be applied on Israel to agree to a redeeming QcompromiseQ formula regarding the assimilation of [Palestinian] refugees.

II. Iran:

Block Quotes:

II. "Sanctions instead of Military Force"

Veteran journalist and television anchor Dan Margalit wrote in the independent Israel Hayom (7/9): QThe U.S. administration is conducting a complex policy on the harsh issue of a [possible] Israeli attack on Iran.... There is room for attempting a different move. If the world had seriously pressed Iran, there would have been no need for a military action. For this, Russia needs to apply its whole force. What could cause this? Obama visited Moscow, offering a deal: Russia would join the pressure on Iran in exchange for an American renouncement of NATO missile deployment around its borders. Israel, which is constantly occupied with itself, would do well to be attentive.

II. "IranQs Regime Only Got Stronger"

Columnist and former intelligence officer Amos Gilboa wrote in the popular, pluralist Maariv (7/9): QNow that the dust around the Iranian elections is settling, I believe that neither was there a coup in that country, nor an uprising against the regime, nor a true rift among the ruling elite.... Furthermore, the regime never truly risked being overthrown.... I believe that the Iranian regime actually got stronger.... At the regional level, support for Hamas and Hizbullah increased.... The chances for the yearned dialogue between the liberal Obama and IranQs security-imbued fanatics are low. In any case, if the United States wants to cope with Iran with any amount of success, it must act in cooperation with Russia. Therefore, the results of ObamaQs visit to Moscow are highly important to Israel.

CUNNINGHAM